

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-07 EUR-12 NEA-10
IO-13 DODE-00 COME-00 INT-05 GSA-02 STR-04 TRSE-00
OMB-01 L-03 OIC-02 H-01 CIAE-00 INR-07 NSAE-00
NSC-05 SS-15 /115 W

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P R 161122Z JUL 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 6187

INFO AMEMBASSY CANBERRA

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY LA PAZ

AMEMBASSY SOFIA

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E.O. 11652: N/A

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TAGS: EMIN, ETRD, ITC

SUBJECT: SIXTH SESSION OF THE INTERNATIONAL TIN COUNCIL

REFERENCE: LONDON 11624

1. SUMMARY: SIXTH SESSION OF ITC ADOPTED NEW PRICE
RANGE OF 1200-1300-1400-1500 MALAYSIAN RINGITS PER PIKUL,

AND SATISFACTORY RESOLUTIONS ON TAXES AND INVESTMENT, EXPORT CONTROLS, AND DISPOSALS FROM NON-COMMERCIAL STOCK-PILES. COUNCIL AGREED THAT GOVERNMENTS WHICH WISHED TO CONTRIBUTE TIN METAL TO THE STOCKPILE SHOULD DO SO ON TERMS NO LESS FAVORABLE THAN THOSE CONTRIBUTING CASH.

2. THE SIXTH SESSION OF THE INTERNATIONAL TIN COUNCIL UNDER THE FIFTH INTERNATIONAL TIN AGREEMENT WAS HELD FROM JULY 12 - 15 IN ORDER TO CONSIDER THE FINDINGS AND CONCLUSIONS OF THE ECONOMIC AND PRICE REVIEW PANEL (EPRP) WHICH HAD COMPLETED ITS WORK IN JUNE. AFTER A WEEK OF SOMETIMES ACrimonious DEBATE CLIMAXING IN A MARATHON 12-HOUR CONTACT GROUP, A SOLUTION TO OUTSTANDING ISSUES WAS FINALLY ACHIEVED IN TWO PARTS. ON THE ISSUE OF FLOOR AND CEILING PRICES THE FOLLOWING PRICE RANGE WAS ESTABLISHED:

FLOOR PRICE	1200
LOWER SECTOR	1200-1300
MIDDLE SECTOR	1300-1400
UPPER SECTOR	1400-1500
CEILING PRICE	1500

3. AS PART OF THE RESOLUTION ON FLOOR AND CEILING PRICES, THE COUNCIL ADOPTED THREE QUALITATIVE RESOLUTIONS AS FOLLOWS:

A. THE COUNCIL NOTED WITH APPRECIATION THE MEAS-
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URES, AS REPORTED TO THE PANEL, WHICH HAD ALREADY BEEN TAKEN IN THE FIELD OF ONGOING INVESTMENT IN THE TIN INDUSTRY, AND URGED GOVERNMENTS OF ALL PRODUCING AND CONSUMING COUNTRIES TO TAKE ALL REASONABLE ADMINISTRATIVE AND FISCAL STEPS TO PROMOTE FURTHER EXPANSION IN THE TIN INDUSTRY. THE COUNCIL ALSO URGED MEMBER GOVERNMENTS TO, INTER ALIA, PROMOTE INCREASED EXPLORATION AND DEVELOPMENT AND, WHERE APPROPRIATE, TO MAKE NEW LAND AVAILABLE FOR THESE PURPOSES, AND TO FOSTER THE FLOW OF CAPITAL TO, AND THE TECHNICAL DEVELOPMENT OF, THE TIN INDUSTRY.

B. THE COUNCIL FURTHER NOTED THAT THE SIZE OF THE BUFFER STOCK UNDER THE FIFTH AGREEMENT WOULD BE SIGNIFICANTLY LARGER THAN IN PREVIOUS AGREEMENTS, DUE TO INCREASED PRODUCER CONTRIBUTIONS AND SUBSTANTIAL ADDITIONAL CONTRIBUTIONS FROM CONSUMERS. IT WAS AGREED THAT A LARGE BUFFER STOCK, SUPPLEMENTED BY LOANS, SHOULD RESULT IN LESS RECOURSE TO EXPORT CONTROL, AND THE COUNCIL, THEREFORE, WOULD WELCOME FURTHER ADDITIONAL CONTRIBUTIONS TO THE BUFFER STOCK IN ACCORDANCE WITH ARTICLE 22 AND REQUESTED ITS BUFFER FINANCE COMMITTEE TO EXAMINE MEANS OF SUPPLEMENTING THE BUFFER STOCK FROM COMMERCIAL SOURCES. THE COUNCIL NOTED THAT AN UNDULY LONG PERIOD OF ADJUST-

MENT AFTER THE EXPIRATION OF EXPORT CONTROL COULD BE
HARMFUL BOTH TO PRODUCERS AND CONSUMERS AND RECALLED THAT
THIS MEASURE SHOULD ONLY BE RESORTED TO WHEN IT WAS EX-
PECTED THAT THERE WOULD BE A SURPLUS OF TIN METAL OF SUCH
MAGNITUDE THAT IT WOULD BE BEYOND THE CAPABILITIES OF
THE BUFFER STOCK TO ABSORB.

C. IN ORDER TO CONTRIBUTE TO STABILITY IN THE IN-
VESTMENT CLIMATE IN THE TIN INDUSTRY AND TO REDUCE UN-
CERTAINTY IN THE INVESTMENT CLIMATE WITH REGARD TO IN-
VESTMENT DECISIONS, THE COUNCIL CALLED UPON MEMBER
GOVERNMENTS HOLDING NON-COMMERCIAL STOCKS OF TIN TO MAKE
THEIR DISPOSAL PLANS KNOWN AS EARLY AS POSSIBLE, AND TO

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CONSULT WITH THE COUNCIL ON THOSE PLANS.

4. THE US, FRG AND JAPAN ABSTAINED ON THE PACKAGE BECAUSE OF DISPLEASURE WITH THE LEVEL OF THE FLOOR PRICE WHICH THEY THOUGHT WAS MUCH TOO HIGH. THE US HAD MADE CLEAR THROUGHOUT THE WEEK THAT THE HIGHEST FLOOR PRICE IT COULD ACCEPT WAS 1100 RINGITS PER PIKUL AND NEVER DEPARTED FROM THIS POSITION. ALL THREE GOVERNMENTS MADE SUBSEQUENT STATEMENTS EXPLAINING THEIR VOTES, ACCEPTING THE CEILING OF 1500 RINGITS PER PIKUL AND SUPPORTING THE QUALITATIVE RESOLUTIONS. THE NETHERLANDS ALSO ABSTAINED FEELING THE PROPOSED PRICE RANGE WAS TOO LOW. FRANCE, BELGIUM, THE UK, USSR AND SOCIALIST COUNTRIES SUPPORTED THE RESOLUTION AS DID ALL PRODUCERS EXCEPT BOLIVIA WHICH VOTED AGAINST.

5. ANOTHER ISSUE IN ADDITION TO THE PRICE RANGE AND THE PROPOSED RESOLUTIONS: AND ALMOST MORE DIFFICULT, AROSE FROM THE INSISTENCE OF BOLIVIA THAT PRICE DECISIONS BE MADE BY A "SYSTEMATIC" METHODOLOGY MEANING SOME SEMI-AUTOMATIC FORMULA AKIN TO INDEXATION. IN ITS SIMPLEST FORM THIS WAS A COST PLUS FORMULA, THE COST BEING THAT OF THE HIGHER COST PRODUCERS AND THE PLUS BEING A PERCENTAGE ADDED AS INCENTIVE TO NEW INVESTMENT. MAJOR CONSUMERS STERNLY OPPOSED THIS APPROACH, AGREEING THAT INCREASED SYSTEM WAS DESIRABLE AND HAD BEEN ACCOMPLISHED THROUGH THE WORK OF THE EPRP, BUT INSISTING THAT IN THE LAST ANALYSIS DECISIONS MUST BE BASED ON HUMAN JUDGMENT AND NOT AUTOMATIC FORMULAS. THE US MADE CLEAR THAT COSTS WERE ONLY ONE FACTOR TO BE CONSIDERED IN DETERMINING PRICE RANGES, AND THAT WE SAW THE PURPOSES OF THE AGREEMENT TO BE PRICE STABILIZATION AND NOT PRICE SUPPORT.

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THE FRG DENIED THAT COST SHOULD BE CONSIDERED AT ALL IN DETERMINING THE PRICE RANGE. AT THE END OF THE DAY THE BOLIVIAN DELEGATE MADE A BITTER STATEMENT IN WHICH HE SAID HIS GOVERNMENT HAD BEEN "TRICKED" INTO RATIFYING THE AGREEMENT AND THREATENING THAT BOLIVIA WOULD "REVIEW ITS PARTICIPATION".

6. IN ANOTHER ACTION THE COUNCIL PASSED A RESOLUTION ACCEPTING THE PRINCIPLE THAT GOVERNMENTS WISHING TO CONTRIBUTE TIN METAL TO THE STOCKPILE SHOULD DO SO ON TERMS NO LESS FAVORABLE THAN THOSE CONTRIBUTING CASH, AND ASKING THE BUFFER STOCK COMMITTEE TO DETERMINE THE BEST METHOD FOR SUCH GOVERNMENTS TO MAKE THEIR CONTRIBUTION. THE BUFFER STOCK COMMITTEE WILL PRESUMABLY REPORT TO THE SEVENTH SESSION OF THE COUNCIL IN OCTOBER. IT PROVED IMPOSSIBLE TO ACCEPT THE ORIGINAL RESOLUTION PROPOSED BY THE US BECAUSE OF DOUBT AS TO WHAT WOULD HAPPEN UNDER THE TERMS OF THE AGREEMENT IF THE MARKET PRICE WAS ABOVE THE CEILING PRICE WHEN THE US MADE ITS TIN METAL CONTRIBUTION. HOWEVER, THE COUNCIL EXPRESSED IT WARM APPRECIATION FOR THE INTENTION OF THE US TO MAKE A VOLUNTARY CONTRIBUTION TO THE BUFFER STOCK.

7. CONCLUSION: THIS WAS AN UNUSUAL SESSION OF THE COUNCIL IN A NUMBER OF RESPECTS. FIRST, THE US, THE FRG AND JAPAN HUNG TOGETHER THROUGHOUT THE MEETING, ALTHOUGH THEY HAD SOMEWHAT DIFFERING VIEWS. SECOND, PRODUCERS BROKE UP AND BOLIVIA CONSIDERS ITSELF BETRAYED NOT SO MUCH BY CONSUMERS AS BY THE OTHER PRODUCERS WHICH FAILED TO SUPPORT ITS POSITION IN THE END OF THE DAY. THIRD, PRODUCERS ACCEPTED AND, ALMOST BY ACCIDENT, VOTED IN FAVOR OF QUALITATIVE RESOLUTIONS ON TAXES AND INVESTMENT AND ON THE FUTURE USE OF EXPORT CONTROLS. ALTHOUGH THERE WAS A FAIRLY INNOCUOUS RESOLUTION ON DISPOSALS FROM NON-COMMERCIAL STOCKPILES (READ GSA) THE US WOUND UP ABSTAINING ON THAT BECAUSE WE ABSTAINED ON THE LIMITED OFFICIAL USE

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ENTIRE PACKAGE RESOLUTION. FINALLY, ALTHOUGH THE QUALITATIVE RESOLUTIONS WERE NOT A CLEAR QUID-PRO-QUO FOR AN INCREASE IN FLOOR AND CEILING PRICES, THERE WAS AN IMPLIED LINKAGE BETWEEN THEM SINCE THEY WERE ALL PART OF THE SAME RESOLUTION. HENCE, THE OUTCOME APPEARS TO BE SATISFACTORY FROM THE US VIEWPOINT.

BREWSTER

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Message Attributes

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Disposition Case Number: n/a
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